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U.S.-Mexican Relations

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Following is a statement by Everett Ellis Briggs, Acting Deputy Assistant Secretary for Inter-American Affairs before the Subcommittee on Inter-American Affairs of the House Foreign Affairs Committee on June 10, 1981.

The just-concluded 2-day session at Camp David and at the White House is the fifth presidential-level meeting for the United States and Mexico in the 4½ years Jose Lopez Portillo has been in office. It is the second time this year that President Reagan has met with his Mexican counterpart, and the two expect to be meeting again later this year at a time and place to be determined. Since January 20 there have been several telephone exchanges, as well as visits by special emissaries.

The frequency of these high-level encounters and the pace of diplomatic activity reflect a new appreciation of the intensity and importance of the unique relationship between our two countries. This relationship is as complex, extensive, intertwined, and interdependent as any for the United States.

There is scarcely an agency of our government that is not involved in programs which directly or indirectly affect the relationship. Contacts between experts on both sides are constant; individual agencies have a wide variety of agreements and arrangements with their counterparts on issues ranging from housing and health to culture, tourism, aviation, narcotics control, customs cooperation, environmental protection, science and technology, to name just a few. Our Embassy in Mexico is the largest in the world because so many agencies find it necessary to be represented there: 11 in all.

There exists a long-time, active relationship between our Congress and the Mexican legislature, and within a few days a delegation of distinguished American Congressmen and Senators will go to Mexico for the annual meeting of the U.S.-Mexico Interparliamentary Commission—that in addition to frequent visits back and forth by individual members or delegations interested in specific issues.

Under the leadership of Governor Clements of Texas, periodic meetings of border governors from both sides are now taking place—a development we welcome and which contributes directly to improved understanding and increased possibilities for cooperation at the local level.

There are literally thousands of binational organizations; hardly a week goes by without a conference on U.S.-Mexican relations sponsored by academia, foundations, or private enterprise. Transit—tourism and business—between the two countries is the heaviest in the world: over 800,000 persons legally cross the border daily. This accounts for the fact that 12% of our worldwide consular resources are dedicated to Mexico, at our Embassy and 10 consulates.

We now have upward of 12 million Americans of Mexican extraction, and the historical, cultural, and political impact of this fastest growing portion of our population is a fact of life neither legislators nor policymakers can ignore.

Such is the environment within which U.S.-Mexican relations prosper as well as occasionally encounter difficulties, as is inevitable, given that we are both proud, individualistic, and independent-minded nations, each with a role to play on the world scene and our own ideas of our national interests. But as next-door neighbors with a shared interest in prosperity and progress, we share a common determination to cooperate where possible, to minimize and isolate differences where they cannot be avoided, and to consult closely on all issues which arise between us. This is the Administration's approach.

The bilateral component in our relationship overshadows all else, and the three main categories are economic relations (principally trade), migration, and border relations. I should like to address each of these, as well as regional issues, a component of secondary importance to the overall relationship, but one which requires special sensitivity on both sides.

Trade and Investment

During the past few years, trade between the United States and Mexico has grown dramatically. It increased 50% from 1979 to 1980, reaching almost $28 billion, and making Mexico our third-ranking trading partner after Canada and Japan. Trade has tripled in 4 years, and if the upward swing continues, as we have every right to expect, Mexico will be in second place.

Considering the size of this trade and its rapid growth, we have had few serious problems. Because Mexico is not a member of the General Agreement on Tariffs and Trade (GATT) and has not adhered to the negotiated code of conduct on countervailing duties and export subsidies of the multilateral trade negotiations (MTN), and given our own trade laws and our traditional, multilateral approach to foreign trade, there is the potential for serious trade disputes to arise between us. If these occur, there may be some interruption of trade in specific products, but overall trade should continue to grow.

According to U.S. Department of Commerce statistics, U.S. exports to Mexico in 1980 reached $15.1 billion, up 53% over 1979. U.S. imports increased to $12.5 billion, up 42%, with oil and natural gas accounting for slightly over 50%. The main U.S. exports were

agricultural products, capital goods, and intermediate goods. The U.S. bilateral trade surplus was $2.6 billion, up from $1 billion in 1979. For Mexico, total exports of goods and services generate more than 15% of GDP, and almost two-thirds of Mexico's trade is with us, so our trade policy has a tremendous impact on the Mexican economy. As Mexico's export potential grows, market access issues and export promotion measures (such as export subsidies) will become increasingly important to U.S.-Mexican relations.

U.S. agricultural exports to Mexico last year swelled to $2.5 billion, more than doubling from a year earlier. Mexico became our third largest agricultural export market, accounting for 7% of our total agricultural exports. Grain and other bulk commodities were crucial in this increase. These exports took place under a bilateral U.S.-Mexico grain agreement, negotiated in early 1980, extended later in the year, and renewed for 1981. We have agreed to enter into a similar pact for 1982. Under the agreement, the U.S. Government facilitates the purchase of agreed-upon quantities, mainly by offering tenders. The two governments cooperate on resolving transportation problems—getting the grain across the busy border and through congested ports.

The Mexican Government decided last year that the time was inopportune for it to join the GATT or the subsidies code, noting that these would place undue restraints on Mexican development policy, without the nontariff measure codes of conduct and the MTN trade concessions offering sufficient advantages to outweigh these restraints.

What this means, under our own laws, is that U.S. petitioners requesting the imposition of countervailing duties on Mexican products need only to prove the existence of subsidies and not that these subsidies cause or threaten injury. Such findings then trigger the imposition of countervailing duties. The indications are that barring some bilateral agreement or Mexican adherence to GATT, several Mexican subsidies will be countervailable.

In fact, on April 10, 1981, countervailing duties of 5% were levied on imports of leather wearing apparel from Mexico. The U.S. Department of Commerce determined that Mexican manufacturers of leather wearing apparel are receiving subsidies from the Government of Mexico. Mexican exports to the United States of this product between January 1979 and May 31, 1980, were worth $26 million. We are consulting with Mexico on this problem.

Mexico is worried about U.S. graduation policy. Graduation refers to the phasing out and eventual elimination of special and differential trade treatment for advanced developing countries. It has been U.S. policy to apply graduation to the Generalized System of Preferences (GSP—the system by which certain listed products from Mexico and other developing countries enter the United States duty free, unless those products are especially sensitive or extremely competitive). Mexico ranks fourth among the 140 beneficiaries of the U.S. GSP program. Its utilization of GSP has doubled over the last 5 years, increasing to $509 million in 1980. Graduation this year eliminated GSP on two Mexican items worth only $14 million; petitions on other items were turned down. Mexico regained eligibility on over $14 million in previously ineligible products and gained eligibility on 47 items newly added to the list, 3 of which should result in substantial Mexican exports to the United States.

Another important trade and investment area has been the in-bond industry program, initiated by the Mexicans in 1965 to reduce serious border unemployment aggravated by the 1964 termination of the *bracero* program. Participating factories produce articles in Mexico, primarily from imported U.S. components, and are given tax, duty, and regulatory exemptions. Assembled goods—70% electronic and 10% apparel—are exported mainly to the United States, under sections 807.00 and 806.3 of the U.S. tariff system subject only to duties on the value added abroad on U.S. goods exported for assembly or processing. Value added in these plants in Mexico in 1980 reached $778 million.

The program is controversial. American labor contends that the program costs U.S. jobs, but defenders of the program contend that it exports only the most labor-intensive part of production, reserving for U.S. workers the best paying portion of the production cycle. Moreover, there are often "twin plants" on the U.S. side of the border, providing jobs in otherwise somewhat depressed areas. Finally, the wages paid to in-bond plant workers are often spent on the U.S. side of the border.

Energy is an important part of our trading relationship with Mexico. Last year, oil and natural gas accounted for over 50% of U.S. imports from Mexico. The United States received an average of 560,000 barrels per day (b/d) of crude and gas liquids, worth a total of $6 billion, and an average of 300 million cubic feet per day of natural gas, worth approximately $500 million annually.

The United States will likely receive more Mexican oil this year than ever before. In 1981, weather permitting, Mexican oil exports to the United States will probably reach 744,000 b/d by the second quarter, out of total oil exports of 1.5 million b/d. Production, now near 2.6 million b/d, might reach 2.9 million b/d by summer, with the yearly average to be slightly above 2.75 million b/d. Production and export figures could vary, of course, if the present softness in the world oil market continues.

Mexico has followed OPEC [Organization for Petroleum Exporting Countries] pricing patterns for crude oil. U.S. oil companies deal directly with PEMEX, the Mexican national oil company, with no direct U.S. Government involvement, an arrangement our companies and PEMEX prefer. Mexican natural gas sales take place under a government-to-government framework agreement negotiated in 1979. Under the agreement, a consortium of U.S. companies imports 300 million cubic feet per day at a price set according to the price of a basket based on crude oil prices. Over most of the last year, under an Energy Regulatory Administration ruling, Mexico has received a price equal to the border price of Canadian gas.

Mexico's energy policy has emphasized careful control of production and export levels, so that oil revenues will not exceed the capacity of the economy to absorb them. The Mexican national energy program (announced in late 1980) sets export limits through 1990 of 1.5 million b/d for oil and 300 million b/d for gas. The program is less explicit on production levels but seems to discourage sharp increases in production of oil and gas.

Mexican leaders have emphasized their belief that Mexico must diversify its oil markets to avoid making any one country (meaning the United States) overly dependent on Mexican oil. The national energy program says that oil exports to one country will not exceed 50% of total oil exports. They have also tried to use oil to gain technology, investment, and trade on favorable terms from other countries, including France, Sweden, and Japan, while exempting the United States from this linkage.

U.S. investment is important in Mexico's economy. Out of total foreign investment in Mexico of approximately $7.5 billion, the U.S. share is worth over $5 billion, or 69%. The U.S. share has remained fairly constant over the last few years, with the U.S. total growing to match sharp increases in the overall total. Mexico has strict regulations governing foreign investment, but has tried to utilize those regulations with sufficient pragmatism so that development is encouraged, not discouraged.

Migration

The question of illegal immigration is one of the most sensitive and complex of U.S.-Mexican issues. The Administration has been studying the problem. It has exchanged views with the Mexican Government on a frequent basis at the

diplomatic and technical levels. In 1977 the Carter Administration proposed a legislative package to deal with immigration issues. There was no consensus at the time, and Congress established a select commission to review immigration and refugee policy. The commission's report, published in February 1981, recommended:

- Legal status for those here illegally, based on criteria such as length of residence and absence of grounds for exclusion;
- Enforcement of strenghtened immigration laws and regulations; and
- Enactment of sanctions against employers of illegal aliens.

The Reagan Administration has set up a task force to examine the commission's recommendations and to advise the President on structuring the Administration's policy. The task force's conclusions are expected momentarily.

We have reviewed extensively with the Mexicans both the select commission's findings and the various alternatives open to us and explored in a general way the possibility of some joint actions both to improve legal travel and curtail illegal movement. We expect these exchanges will continue.

One of the most difficult aspects of the migration problem is the lack of reliable or consistent data. Estimates of the number of illegal aliens in the United States range from 500,000 to 12 million, and the annual flow probably has ranged from half a million to several million. We also lack firm information about length of stay, type of jobs, etc. Some recent studies conclude that more and more illegal immigrants are taking skilled employment, meaning Mexico may be losing some of those whom it needs for its own development. One thing seems certain: Mexicans constitute the largest proportion, probably well over a half, of illegal migrants.

Mexico—A Profile

Geography

Area: 764,000 sq. mi. **Capital:** Mexico D.F. (pop. 15 million, 1980 est.). **Other Cities:** Guadalajara (2.4 million), Monterrey (2 million), Cuidad Juarez (680,000), Puebla (600,000).

People

Population: 69 million (1980 est.). **Annual Growth Rate:** 2.7%. **Ethnic Groups:** Indian Spanish (mestizo) 60%, American Indian 30%, Caucasian 9%, other 1%. **Religion:** Roman Catholic 97%. **Language:** Spanish. **Literacy:** 74%. **Life Expectancy:** 65 yrs. (1975).

Government

Official Name: The United Mexican States. **Type:** Federal republic. **Independence:** First proclaimed Sept. 16, 1810; republic established 1822. **Constitution:** Feb. 5, 1917. **Branches:** *Executive*—President (Chief of State and Head of Government). *Legislative*—bicameral Congress (66-member Senate and 300-member Chamber of Deputies). *Judicial*—Supreme Court, local and federal systems. **Political Parties:** Institutional Revolutionary Party (PRI), National Action Party (PAN), Popular Socialist Party (PPS), Authentic Party of the Revolution (PARM); three other parties—the Socialist Workers Party (PST), the Mexican Democratic Party (PDM), and the Mexican Communist Party (CPM)—and four political associations registered. **Suffrage:** Universal over age 18. **Administrative Divisions:** 31 states and the Federal District.

Economy

GDP (1980): $128 billion. **Per Capita GDP:** $1,800. **Annual Growth Rate:** 7.4%. **Annual Inflation Rate:** 28%. **Natural Resources:** Petroleum, silver, copper, gold, lead, zinc, natural gas, timber. **Agriculture:** Corn, cotton, coffee, sugarcane, vegetables. **Industries:** Food processing, chemicals, basic metal and metal products, petroleum. **Trade:** *Exports*—$15.3 billion: petroleum, coffee, cotton, fruits and vegetables, sulfur. *Partners*—U.S. (64%), EC, Japan. *Imports*—$18.6 billion: grains, machinery, equipment, industrial vehicles, intermediate goods. *Partners*—U.S. (65%), EC, Japan. **Average Exchange Rate (1980):** 23.5 pesos = US$1.00

Membership in International Organizations

U.N., International Atomic Energy Agency, International Civil Aviation Organization, Seabeds Committee, Inter-American Defense Board, Organization of American States, Latin American Free Trade Association, INTELSAT.

Principal Government Officials

Mexico: President—Jose **Lopez Portillo;** Minister of Foreign Relations—Jorge **Castaneda** de la Rosa; Ambassador to the U.S.—Hugo B. **Margain. United States:** Ambassador to Mexico—John Gavin. ■

Border Relations

In general, these can be characterized as excellent. Citizens' groups along the border regularly proclaim that they understand each other and are able to resolve most local problems without interference from the bureaucrats in the distant capital cities who are out of touch with reality. In fact, we in the capitals are intensely interested in the welfare of our border citizens and work cooperatively with State and local authorities as well as with our Federal counterparts in seeking solutions to such diverse problems as river use; flood control; joint energy development and alternate energy sources; environmental protection and pollution control; improvement of sanitation; cooperative law enforcement efforts, including narcotics, stolen vehicles, tourism, etc. I should like to concentrate on two areas, narcotics and tourism, as illustrative of this relationship.

Narcotics. Our antinarcotics program with Mexico has been marked by as high a degree of cooperation as with any country anywhere. While it has not been possible to wipe out the problem altogether, the program has made tremendous progress in lessening the drug flow from Mexico to the United States.

Illicit production of opium and heroin in Mexico became a serious problem for the United States in 1974–75, when Mexican production grew to meet the demand created by disruption of the "French connection." By 1975, 90% of the heroin consumed in the United States was from Mexico.

The U.S.-Mexico cooperative antinarcotics program has stressed two approaches: the most extensive has been the effort to eradicate illicit opium poppies in the fields; a parallel approach has been bilateral law enforcement cooperation in exchange of intelligence, joint investigation, interdiction, and prosecution.

The eradication campaign, primarily a Mexican effort, has met with much success. At first, the Mexicans used manual cutting, but met difficulty in remote mountain areas. In 1975 the Mexicans began to use aerially applied herbicides. Mexico spends approximately $40 million on the program, mainly for herbicides and other operational costs. The State Department provides approximately $9 million per year in assistance funds, mainly to purchase and maintain reconnaissance and spray aircraft for the Mexican Attorney General's office.

The amount of Mexican heroin entering the United States has fallen from 6 tons per year to 1.5 tons, 45% of the total entering the United States. Deaths from overdose from brown heroin have dropped dramatically. This law enforcement cooperative program has immobilized many international narcotics traffickers.

Tourism. Tourism earnings are important to both countries. Revenues from tourism have accounted for almost 7% of Mexico's export earnings. U.S. visitors provide between 60% and 70% of Mexico's total earnings from tourism.

Tourism income is only 5% of U.S. export earnings, but approximately 25% of U.S. tourism earnings come from Mexican tourists. Under our bilateral tourism agreement with Mexico, we have been working with the Mexicans on exchange of statistics, training, development of third-country tourism, and tourism facilitation. We have also agreed to open a new border crossing at Otay Mesa near San Diego and Tijuana, now scheduled for completion in 1985.

A recent trend has been that Mexican tourism to the United States is increasing faster than U.S. tourism to Mexico. Inflation in Mexico and the overvaluation of the Mexican peso have lessened Mexican competitiveness in tourism. We have suggested that lower airfares and stopover rights for U.S. carriers (carrying U.S. passengers between certain points in Mexico) might encourage U.S. tourism there, and we will be pursuing this approach.

Border Trade. As to the border itself, along the 2,000 miles from Brownsville to San Diego most of the goods in our bilateral trade pass. Rail and truck traffic across the border has expanded enormously in the last 3 years and presents both countries with new challenges which will have to be met very soon. Additional border crossing facilities are needed. We are approaching these questions in the cooperative spirit that characterizes our border relations.

Regional Issues

Although Mexico shares our regional goals of self-determination, democracy, stability, and peaceful, political resolution of conflicts, we have had sometimes well-publicized differences over the best means to achieve those shared goals. The Administration has exchanged views on a close and frequent basis with Mexico on regional developments, especially concerning the Caribbean Basin area, and we intend to continue to do so.

Mexico's decision to break relations with the Somoza regime in May 1979 signaled a new Mexican activism in the region and Mexico has taken several actions to influence events in Central America, including:

- Firm support for the Sandinista regime in Managua;
- Extensive travel by President Lopez Portillo, including to Cuba;
- Encouragement to leftist political groups opposing the Duarte government in El Salvador (while keeping diplomatic ties with the junta); and
- Generous economic assistance to the region through a joint petroleum financing facility with Venezuela.

This last point merits further comment. The purpose of the Mexican/Venezuelan oil facility is to help the oil-poor countries of Central America and the Caribbean (except Cuba, which is not included). Under this arrangement, oil is sold at market prices with concessionary loans financing 30% of sales.

We have had differences with the Mexicans. They have publicly voiced opposition to U.S. military support for the Duarte government in El Salvador. They have questioned our suspension of aid to the Nicaraguan Government and they have continued to maintain cordial relations with Castro (Mexico never broke relations with Cuba, even when the rest of the Organization of American States did). Mexico has, however, stated its opposition to any form of hegemony in the hemisphere and is strongly opposed to interference from outside. Mexico shares our belief that economic and social problems are at the root of regional difficulties; its oil facility, which has been extended to such countries as El Salvador, Guatemala, Nicaragua, Panama, and Jamaica, has been aimed at helping ease those problems.

The question is how Mexico and the United States can emphasize the many values which unite us in our separate views of the Caribbean Basin. We are working on this. These are the issues that concern both countries and the bounds within which we seek to maintain and enhance a strong and healthy relationship with Mexico based on mutual respect and a realization that our fates and our futures are inextricably bound together. ■

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